

## Message Text

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ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 EUR-08 NSC-05 NSCE-00 INR-05

CIAE-00 EB-03 /042 W

----- 061623

P R 012020Z APR 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 0563

INFO AMEMBASSY MOSCOW

C O N F I D E N T I A L SECTION 1 OF 2 BUENOS AIRES 2230

LIMDIS

FOR ASST. SEC. ROGERS

E.O. 11652: GDS

TAGS: PFOR, ENRG, ENRO, BEXP, FIN, AR, US

SUBJECT: US PARTICIPATION IN PARANA MEDIO PROJECT

REF: B-1926, MAR. 19, 1975

1. SUMMARY: UPON FURTHER EXAMINATION, GOA PROPOSAL ON PARANA MEDIO BECOMES CONSIDERABLY MORE COMPLICATED. ARGENTINES WANT PROJECT TO BE DONE IN COLLABORATION WITH SOVIETS. THEY PROPOSE THAT CONSORTIUM WITH USSR ENTITY BE SET UP WITH AGREED DIVISION OF LABOR AND FINANCING.

GOA IS TAKEN WITH IDEA OF "JOINT" U.S.-USSR PROJECT AND CAN BE EXPECTED, AT A MINIMUM, TO PRESS FOR A U.S. EXPRESSION OF INTEREST IN PRINCIPLE DURING SECRETARY'S FORTHCOMING VISIT. END SUMMARY.

2. DURING WORKING GROUP SESSIONS OVER PAST WEEK WHICH INCLUDED BRIEFING BY JUAN PETRONI, GENERAL MANAGER OF AGUA Y ENERGIA ELECTRICA (AYEE),(THE GOA'S EXECUTING AGENCY FOR THE PARANA MEDIO PROJECT), EMBASSY LEARNED THAT GOA WISHES U.S. TO COLLABORATE WITH SOVIET UNION ON THE FIRST OF THE TWO PARANA MEDIO PROJECTS.

ALLEGEDLY THE SOVIET UNION HAS OFFERED TO FINANCE AND EXECUTE THE ENTIRE PROJECT. HOWEVER, THE GOA DOES NOT WISH THEM TO TAKE OVER THE WHOLE PROJECT. THEY WANT TO

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BALANCE SOVIET PARTICIPATION WITH THAT OF THE U.S.

FOREIGN MINISTRY OFFICIALS WITH WHOM WE HAVE DISCUSSED THE IDEA (AMBASSADORS MOLINA SALAS AND PULIT) STRESS THE POLITICAL SIGNIFICANCE OF A JOINT U.S./USSR UNDERTAKING. THEY MADE REFERENCE TO THE PROJECT AS THE "ASWAN OF SOUTH AMERICA" ON MORE THAN ONE OCCASION. DURING LAST WORKING GROUP SESSION (MARCH 26TH) THEY SPOKE OF INCLUDING STATEMENT ON THIS PROJECT IN JOINT COMMUNIQUE ON SECRETARY KISSINGER'S VISIT.

3. THE ARGENTINES WOULD PREFER THAT US FIRMS FORM A CONSORTIUM AND WORK OUT A DIVISION OF LABOR WITH THE SOVIETS AND THEN PRESENT A JOINT PROPOSAL TO THE GOA. TOGETHER, WE AND THE SOVIETS, ARE BEING ASKED TO FINANCE THE ENTIRE RPT ENTIRE PROJECT FROM THE FEASIBILITY STAGE TO STARTUP, INCLUDING A VERY SIGNIFICANT LOCAL COST COMPONENT. TOTAL COST IS ESTIMATED AT US \$2 BILLION; CIVIL WORKS: US \$1.4 BILLION, OF WHICH CONSTRUCTION EQUIPMENT: US \$490 MILLION (US \$150 MILLION LOCAL MANUFACTURE AND US \$340 MILLION IMPORTED), AND CONSTRUCTION SERVICES AND MATERIAL: US \$910 MILLION; ELECTROMECHANICAL EQUIPMENT US \$600 MILLION (US \$240 MILLION LOCAL MANUFACTURE AND US \$360 MILLION IMPORTED). IN PRINCIPLE THE GOA WOULD BE PREPARED TO REQUEST IBRD OR IDB FINANCING FOR CIVIL WORKS BUT DOES NOT SEEM TO FEEL THIS SHOULD BE NECESSARY (OR PERHAPS, FEEL THAT THEIR REQUEST WOULD BE TURNED DOWN IN VIEW OF COMPETING REQUESTS FOR FUNDS FOR YACIRETA AND CORPUS). THEY POINT OUT THEY HAVE SOVIET COMMITMENT TO FINANCE ENTIRE PROJECT.

4. THE FIRST PROJECT TO BE UNDERTAKEN IS THE SOUTHERMOST, ROUGHLY 50 KILOMETERS NORTH OF THE CITY OF SANTA FE. THE SECOND DAM IS NOT AT ISSUE HERE. THE SECRETARIAT OF ENRGY HAS DECLARED THIS PROJECT AS ONE OF "NATIONAL PRIORITY", WHICH MEANS IN PRACTICE THAT IT IS THE PRIORITY NATIONAL PROJECT, BUT IS RANKED AFTER THE BINATIONAL PROJECTS SALTO-GRANDE, YACIRETA AND CORPUS. AS INDICATED REFTTEL, PROJECT IS STILL IN TECHNICAL FEASIBILITY STAGE. THERE IS NO COMPLETE TECHNICAL OR ECONOMIC FEASIBILITY STUDY IN EXISTENCE. THE SOUTHERN DAM (CIERRE CHAPETON) CONFIDENTIAL

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WOULD BE APPROXIMATELY 29 METERS HIGH, AND NORMAL AVAILABLE HEAD WOULD BE 13 METERS. AGUA Y ENERGIA ESTIMATES THAT 2,300 MW OF CAPACITY COULD BE INSTALLED; THAT 1,105 MW COULD BE GUARANTEED, AND THAT ANNUAL PRODUCTION OF POWER WOULD TOTAL 14,903 GW HR. THEIR ROUGH COST ESTIMATES INDICATE THAT CONSTRUCTION COST WOULD BE US \$879 PER KW AND COST OF ENERGY 13.6 MILS/KW-HR. PRESENT SCHEDULE OF WORK CALLS FOR COMPLETION OF

FEASIBILITY WORK BY FIRST QUARTER OF CY 1976--COMPLETION  
OF ENGINEERING AND DESIGN WORK BY FIRST QUARTER OF  
CY 1977. NO DATE FOR STARTUP HAS BEEN SET.

5. COMMENT: THE ARGENTINES STRESS THEY ARE IN A HURRY,  
BUT THE SOVIET FACTOR GREATLY COMPLICATES US PARTICIPATION  
FROM A PROJECT MANAGEMENT, TECHNICAL AND COMMERCIAL POINT  
OF VIEW, AT THE VERY LEAST. ASIDE FROM THE DIFFICULTIES  
OF HAVING TO REACH AN AGREEMENT WITH THE SOVIETS, THERE  
IS THE PROBLEM OF SELECTING US FIRMS TO FORM A CONSORTIUM  
TO NEGOTIATE WITH THE SOVIETS WITHOUT KNOWING BEFOREHAND  
HOW THE WORK IS TO BE DIVIDED UP. OTHER COMPLICATING  
FACTORS ARE THE ABSENCE OF A DEFINITIVE FEASIBILITY STUDY,  
AND THE REQUIREMENT THAT THE LOCAL COST COMPONENT BE  
FINANCED. FINALLY, TIME FRAME OUTLINED BY AYEE SEEMS  
UNREALISTIC. ALL THIS MAKES IMPOSSIBLE ANYTHING BEYOND  
A US EXPRESSION OF INTEREST IN PRINCIPLE IN EXPLORING  
THE IDEA BY THE TIME OF THE SECRETARY'S VISIT.

6. DESPITE ASSURANCES FROM THE ARGENTINES THAT THEY ARE  
NOT TRYING TO PLAY OFF THE US AND USSR, THE EMBASSY IS  
SKEPTICAL OF THE GOA ACCOUNT OF THE EXTENT OF THE SOVIET  
COMMITMENT. IN A RECENT CONVERSATION WITH THE SOVIET  
ASSISTANT COMMERCIAL ATTACHE (WHICH PREDATED WORKING  
GROUP SESSIONS REFERRED TO ABOVE), EMBOFFS WERE TOLD  
THAT THE SOVIETS WERE COMMITTED ONLY TO ASSIST IN THE  
FEASIBILITY WORK, AND THAT THEY WERE NOT INTERESTED  
IN THE CIVIL WORKS CONTRCT, THOUGH THEY WERE INTERESTED  
IN PROVIDING THE ELECTROMECHANICAL EQUIPMENT.

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ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 EUR-08 NSC-05 NSCE-00 INR-05

CIAE-00 EB-03 /042 W

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P R 012020Z APR 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 0564

INFO AMEMBASSY MOSCOW

C O N F I D E N T I A L SECTION 2 OF 2 BUENOS AIRES 2230

LIMDIS

7. FROM THE TECHNICAL STANDPOINT, DEPT. SHOULD BE AWARE THAT THE "PARANA MEDIO" SITES ARE FAR FROM THE MOST FAVORABLE FOR THE CONSTRUCTION OF DAMS ALONG THIS MIGHTY RIVER. THE LOW HEAD, LARGELY EARTH-FILLED DAMS MUST BE CONSTRUCTED ON A BASE (80 METERS WE WERE TOLD) OF VERY SANDY MATERIAL. (PETRONI SAYS THE SOVIETS KNOW HOW TO OVERCOME THIS.) IN ADDITION, THE SOUTHERN DAM WILL HAVE TO EXTEND FOR A LENGTH OF TWO HUNDRED (200) KILOMETERS ALONG THE RIGHT BANK OF THE PARANA. IT WOULD APPEAR THAT A REALISTIC ESTIMATE OF ALL COSTS WOULD ONLY BE AVAILABLE AFTER A VERY GOOD FEASIBILITY STUDY IS CONDUCTED, TAKING INTO ACCOUNT ALL ASPECTS, INCLUDING FLOODS, ETC., AND WE ARE AT THIS POINT NOT CONVINCED THAT THE STUDY NOW UNDERWAY FILLS THIS BILL.

8. RECOMMENDATIONS: (A) EMBASSY BELIEVES BEST WAY TO GET AROUND PROBLEMS CREATED BY SOVIET PARTICIPATION AND LARGE SCALE FINANCING REQUIREMENT IS FOR US FIRMS TO PUT TOGETHER A CONSORTIUM, LINE UP AS COMPLETE A FINANCING PACKAGE AS CAN BE OBTAINED AND MAKE AN OFFER TO GOA FOR THOSE PORTIONS OF PROJECT IN WHICH THEY MAY BE INTERSTED, WHILE INDICATING A WILLINGNESS TO COLLABORATE WITH OTHER CONTRACTORS, VIZ THE SOVIETS. THE OFFER WOULD BE SUBJECT TO NEGOTIATION AND ADJUSTMENT, THE IDEA BEING THAT THE ARGENTINES, HAVING A US AND A

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SOVIET OFFER, WOULD THEN DECIDE WHICH CONTRACTORS WOULD DO WHICH PART OF THE JOB. THIS APPROACH COULD STILL BE BILLED AS US-SOVIET COLLABORATION. IF THIS STRATEGY MEETS DEPARTMENT'S APPROVAL, EMBASSY WOULD COMMUNICATE IT TO GOA. (B) NEXT STEP THEN, TO BE CARRIED OUT PRIOR TO SECRETARY'S VISIT, WOULD BE FOR USDOC TO CONTACT THE FOLLOWING LOCALLY REPRESENTED US FIRMS, IN ORDER TO MAKE SURE THERE IS INTEREST IN THE ABOVE APPROACH:

CONSULTING ENGINEERS: HARZA ENGINEERING CO., CHICAGO, ILLINOIS; CHARLES T. MAIN, BOSTON, MASS.;

ENGINEERING AND CONSTRUCTION: A.G. MCKEE & CO., CLEVELAND, OHIO; BROWN AND ROOT INC., HOUSTON, TEXAS; BECHTEL CORP., SAN FRANCISCO, CALIF.;

ELECTROMECHANICAL EQUIPMENT SUPPLIERS: WESTINGHOUSE ELECTRIC CORP., NEW YORK, NEW YORK; GENERAL ELECTRIC COMN NEW YORK, NEW YORK; ALLIS CHALMERS CORP.,

MILWAUKEE, WISCONSIN;

CONSTRUCTION EQUIPMENT SUPPLIERS: HYSTER CO., DANVILLE, ILLINOIS; CLARKE EQUIPMENT CO., BUCHANAN, MICHIGAN; CATERPILLAR TRACTOR CO., PEORIA, ILLINOIS; ALLIS CHALMERS CORP., MILWAUKEE, WISCONSIN. THE ABOVE FIRMS ARE ALL REPRESENTED IN ARGENTINA. SELECTION OF THESE COMPANIES IS LOGICAL BECAUSE THEY ARE ALREADY ESTABLISHED HERE AND ENABLES US TO PUT A REASONABLE LIMIT ON THE NUMBER OF US FIRMS INVITED TO PARTICIPATE. EMBASSY WOULD INITIATE DISCUSSIONS WITH LOCAL REPS AT SAME TIME.

(C) EMBASSY RECOMMENDS SECRETARY KISSINGER LIMIT HIMSELF TO EXPRESSION OF INTEREST IN EXPLORING GOA PROPOSAL FURTHER.

(D) WE ALSO RECOMMEND SECRETARY BRNG WITH HIM ONE OR MORE USG "EXPERTS" (POSSIBLY FROM USDOC, BUREAU OF RECLAMATION, CORPS OF ENGINEERS AND/OR EXIMBANK) TO ASSIST EMBASSY IN EXAMINING GOA PROPOSAL. COMING OF "EXPERTS" WOULD PROVIDE CONCRETE EVIDENCE OF SECRETARY'S INTEREST AND ENABLE HIM TO AVOID BECOMING INVOLVED IN ISSUE.  
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9. DEPARTMENT'S COMMENTS ON ABOVE RECOMMENDATIONS WILL BE WELCOME.  
MONTLLOR

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** JOINT VENTURES, HYDROELECTRIC POWER PLANTS, PROGRAMS (PROJECTS)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 01 APR 1975  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ShawDG  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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